



## Chicago-Naperville-Joliet Metropolitan Area

**Homeowners of all races in the metropolitan area have a very high incidence of receiving a high-cost loan when refinancing.** Out of all refinance loans made in the metropolitan area, more than one in three loans, or 35.9%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. Nearly one in three home purchase loans in the metropolitan area, or 29.1%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006 many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Chicago-Naperville-Joliet area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



### High-cost Refinance Loans<sup>1</sup>

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**For refinance loans, our findings show that in 2006:**

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. Minorities received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

**High-cost loans made up a significant proportion of the home refinance loans made to minorities.** In 2006, 59.9% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 42.5%, or close to one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 28.5%, or more than one out of four, home refinance loans made to whites were high-cost loans.

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<sup>1</sup> Includes conventional 1<sup>st</sup> lien refinances and does not include government-backed refinance loans.

REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006				
Race/Ethnicity	# Refinance Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	16718	10008	59.9%	2.1
Latino	15802	6717	42.5%	1.5
White	56828	16209	28.5%	
ALL <sup>2</sup>	102262	36662	35.9%	

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 2.1 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.5 times more likely to receive a high cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>3</sup>** In 2006, upper-income African-American homeowners were 2.2 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.7 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 2.0 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.4 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 2.0 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.3 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 2.0 times more likely to receive a high-cost refinance loan than low-income whites.

High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006					
Borrower Income Level	White	Latino	African-American	Disparity Compared to White	
				Latino	African-American
Low Income	31.4%	35.6%	61.5%	1.1	2.0
Moderate Income	32.4%	41.9%	63.2%	1.3	2.0
Middle Income	32.3%	45.5%	63.0%	1.4	2.0
Upper Income	25.6%	44.7%	56.9%	1.7	2.2

<sup>2</sup> The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

<sup>3</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$85,799 for the Chicago-Naperville-Joliet metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$36,050; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$36,050 and \$57,680; middle-income borrowers have incomes 80-119% of median income, or between \$57,680 and \$85,799.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Upper-income and middle-income African-Americans were more likely to receive a high-cost refinance loan than low-income whites. Upper-income and middle-income Latinos were more likely to receive a high-cost refinance loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 27.3% of the high-cost refinance loans but only 10.2% of the prime refinance loans. Latinos received 18.3% of the high-cost loans originated but a smaller 13.8% of the prime loans originated. In contrast, whites received 61.9% of all prime loans originated which is greater than their 44.2% share of all high-cost loans originated. African-Americans represent 19.6% of the population in the metropolitan area while Latinos represent 17.1% of the population<sup>4</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	19.6%	10.2%	27.3%
Latino	17.1%	13.8%	18.3%
White	56.7%	61.9%	44.2%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 43.7%, or close to one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 42.4%, or close to one out of every two, refinances made to moderate-income homeowners and 40.2% or more than one of three loans to middle-income homeowners. In contrast, only 30.3%, or less than one out of every three, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	5530	2418	43.7%
Moderate-Income	19182	8137	42.4%
Middle-Income	30833	12381	40.2%
Upper-Income	42169	12793	30.3%

In comparative terms, low-income homeowners were 1.4 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.4 times more likely to receive a high-cost loan.

<sup>4</sup> 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



## High-cost Home Purchase Loans<sup>5</sup>

### For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

**High-cost loans made up a significant proportion of the home purchase loans made to minorities.** In 2006, 63.6%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 44.9%, or close to one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 18.6%, or close to one out of five, home purchase loans received by whites were high-cost loans.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	10123	6441	63.6%	3.4
Latino	11953	5369	44.9%	2.4
White	43601	8131	18.6%	
ALL	75630	21985	29.1%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 3.4 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.4 times as likely to receive a high-cost loan.

**The racial disparity persists even among borrowers of the same income level.** High-cost loan were issued to 68.8% of the home purchase loans received by upper-income African-Americans and 50.4% of the home purchase loans received by upper-income Latinos, compared to only 21.1% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 3.3 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.4 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>5</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

<b>High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	<b>White</b>	<b>Latino</b>	<b>African- American</b>	<b>Disparity Compared to White</b>	
				Latino	African- American
Low Income	16.2%	34.2%	63.3%	2.1	3.9
Moderate Income	18.4%	42.8%	63.4%	2.3	3.4
Middle Income	21.8%	50.2%	67.2%	2.3	3.1
Upper Income	21.1%	50.4%	68.8%	2.4	3.3

Middle-income African-Americans were 3.1 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 2.3 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 3.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.3 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 3.9 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 2.1 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income African-Americans homebuyers were more likely to receive a high-cost loan than low-income whites. Upper-income and middle-income Latino homebuyers were more likely to receive a high-cost loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans were issued 29.3% of all high-cost home purchase loans but only 6.9% of the prime home purchase loans. Latinos were issued 24.4% of all high-cost loans originated and 12.3% of the prime loans originated. In contrast, whites received 66.1% of the prime loans originated which is greater than their 37.0% share of the high-cost loans originated. African-Americans represent 19.6% of the population in the metropolitan area while Latinos represent 17.1% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	19.6%	6.9%	29.3%
Latino	17.1%	12.3%	24.4%
White	56.7%	66.1%	37.0%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 31.5% of the loans received by low-income homebuyers were high-

cost loans, or about one out of three loans. 33% of the loans received by moderate-income homebuyers, and 35.4% loans to middle-income homeowners were high-cost loans. In comparison, only 22.9% of loans made to upper-income homebuyers were high-cost loans.

<b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b>			
	High-cost Loans	All Loans	% High-cost
Low Income	823	2616	31.5%
Moderate Income	4720	14165	33%
Middle Income	8013	22640	35.4%
Upper Income	7690	33631	22.9%

In comparative terms, low-income homebuyers were 1.4 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.5 times more likely to receive a high-cost loan than upper-income homebuyers.

### **Methodology**

The data for the Chicago-Naperville-Joliet metropolitan area includes Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or “rate spread” between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report ([www.acorn.org](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas as well as recommendations.



## Peoria Metropolitan Area

**Homeowners of all races in the metropolitan area have an extremely high incidence of receiving a high-cost loan when refinancing.** Out of all refinance loans made in the metropolitan area, almost one in two loans, or 46.5%, was a high-cost loan. When buying a home, borrowers of all races have a high incidence of receiving a high-cost home purchase loan. Nearly one in four home purchase loans in the metropolitan area, or 23.1%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006, many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Peoria area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



### High-cost Refinance Loans<sup>6</sup>

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**For refinance loans, our findings show that in 2006:**

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. African-American homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. Minorities received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

**High-cost loans made up a significant proportion of the home refinance loans made to minorities.** In 2006, 64.5% or nearly two out of every three, home refinance loans made to African-Americans were high-cost loans and, 48.0%, or almost one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 46.1%, or less than one out of two, home refinance loans made to whites were high-cost loans.

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<sup>6</sup> Includes conventional 1<sup>st</sup> lien refinances and does not include government-backed refinance loans.

REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006				
Race/Ethnicity	# Refinance Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	110	71	64.5%	1.4
Latino	25	12	48.0%	1.0
White	1494	688	46.1%	
ALL <sup>7</sup>	1837	855	46.5%	

**African-American homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.4 times more likely to receive a high-cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>8</sup>** In 2006, upper-income African-American homeowners were 1.4 times more likely than upper-income white homeowners to receive a high-cost refinance loan.

Middle-income African-Americans were 1.4 times more likely than middle-income whites to receive a high-cost refinance loan.

Moderate-income African-Americans were 1.4 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.2 times more likely to receive a high-cost refinance loan than low-income whites.

High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006					
Borrower Income Level	White	Latino	African-American	Disparity Compared to White	
				Latino	African-American
Low Income	55.6%	50.0%	66.7%	0.9	1.2
Moderate Income	50.7%	50.0%	71.4%	1.0	1.4
Middle Income	49.9%	57.1%	67.9%	1.1	1.4
Upper Income	37.2%	40.0%	53.8%	1.1	1.4

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income African-Americans were more likely to receive a high-cost loan than low-income whites.

<sup>7</sup> The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

<sup>8</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$74,256 for the Peoria metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$31,200; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$31,200 and \$49,920; middle-income borrowers have incomes 80-119% of median income, or between \$49,920 and \$74,256.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 8.3% of the high-cost refinance loans but only 4.0% of the prime refinance loans. Latinos received 1.4% of the high-cost loans originated and 1.3% of the prime loans originated. In contrast, whites received 82.1% of all prime loans originated, which is greater than their 80.5% share of all high-cost loans originated. African-Americans represent 8.3% of the population in the metropolitan area while Latinos represent 1.5% of the population<sup>9</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	8.3%	4.0%	8.3%
Latino	1.5%	1.3%	1.4%
White	87.8%	82.1%	80.5%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 54.7%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 51.8%, or one out of every two, refinances made to moderate-income homeowners and 51.4% or one of two loans to middle-income homeowners. In contrast, only 37.0%, or one out of every three, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	236	129	54.7%
Moderate-Income	467	242	51.8%
Middle-Income	525	270	51.4%
Upper-Income	546	202	37.0%

In comparative terms, low-income homeowners were 1.5 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.4 times more likely to receive a high-cost loan.

<sup>9</sup> 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



## High-cost Home Purchase Loans<sup>10</sup>

### For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

**High-cost loans made up a significant proportion of the home purchase loans made to minorities.** In 2006, 44.2%, or almost one out of two, home purchase loans received by African-Americans were high-cost loans and 28.8%, or more than one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 21.9%, or one out of five, home purchase loans received by whites were high-cost loans.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	172	76	44.2%	2.0
Latino	66	19	28.8%	1.3
White	2646	580	21.9%	
ALL	3089	715	23.1%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.0 times as likely to receive a high-cost home purchase loan as whites, while Latinos were 1.3 times as likely to receive a high-cost loan as whites.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 8.3% of the home purchase loans received by upper-income African-Americans and 33.3% of the home purchase loans received by upper-income Latinos, compared to only 21.3% of the home purchase loans to upper-income whites.

In comparative terms, upper-income Latinos were 1.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>10</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders or government-backed loans.

<b>High-cost Loans as a Percentage of All Home Purchase Loans By Borrower Race and Ethnicity Among Income Levels 2006</b>					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	34.3%	30.8%	55.1%	0.9	1.6
Moderate Income	25.1%	36.4%	42.2%	1.5	1.7
Middle Income	20.7%	27.3%	33.3%	1.3	1.6
Upper Income	21.3%	33.3%	8.3%	1.6	0.4

Middle-income African-Americans were 1.6 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.3 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 1.7 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.6 times more likely to be issued a high-cost home purchase loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.**

African-Americans were issued 10.6% of all high-cost home purchase loans but only 4.0% of the prime home purchase loans. Latinos were issued 2.7% of all high-cost loans originated and 2.0% of the prime loans originated. In contrast, whites received 87.0% of the prime loans originated which is greater than their 81.1% share of the high-cost loans originated. African-Americans represent 8.3% of the population in the metropolitan area while Latinos represent 1.5% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	8.3%	4.0%	10.6%
Latino	1.5%	2.0%	2.7%
White	87.8%	87.0%	81.1%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 37.4% of the loans received by low-income homebuyers were high-cost loans, or more than one out of every three loans. 27% of the loans received by moderate-income homebuyers, and 21.0% loans to middle-income homeowners were high-cost loans. In comparison, only 10.7% of loans made to upper-income homebuyers were high-cost loans.

<b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b>			
	High-cost Loans	All Loans	% High-cost
Low Income	202	540	37.4%
Moderate Income	219	827	27%
Middle Income	161	765	21.0%
Upper Income	96	896	10.7%

In comparative terms, low-income homebuyers were 3.5 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 2.5 times more likely to receive a high-cost loan than upper-income homebuyers.

### **Methodology**

The data for the Peoria metropolitan area includes Peoria, Tazewell, Woodford, Marshall, Stark counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or "rate spread" between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report ([www.acorn.org](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas and recommendations.



## Springfield, IL Metropolitan Area

**Homeowners of all races in the metropolitan area have an extremely high incidence of receiving a high-cost loan when refinancing.** Out of all refinance loans made in the metropolitan area, almost one in two loans, or 45.5%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. One in three home purchase loans in the metropolitan area, or 32.1%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006, many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Springfield, IL area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



### High-cost Refinance Loans<sup>11</sup>

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**For refinance loans, our findings show that in 2006:**

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. African-American homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. Minorities received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

**High-cost loans made up a significant proportion of the home refinance loans made to minorities.** In 2006, 52.1% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 62.5%, or more than three out of every five, home refinance loans made to Latinos were high-cost loans. In contrast, only 47.4%, or less than one out of two, home refinance loans made to whites were high-cost loans.

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<sup>11</sup> Includes conventional 1<sup>st</sup> lien refinances and does not include government-backed refinance loans.

REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006				
Race/Ethnicity	# Refinance Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	48	25	52.1%	1.1
Latino	8	5	62.5%	1.3
White	684	324	47.4%	
ALL <sup>12</sup>	847	385	45.5%	

**African-American homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, Latino homeowners were 1.3 times more likely to receive a high cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>13</sup>** In 2006, middle-income Latinos were 2.2 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.4 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.2 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than low-income whites.

High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006					
Borrower Income Level	White	Latino	African-American	Disparity Compared to White	
				Latino	African-American
Low Income	57.0%	0.0%	83.3%	0.0	1.5
Moderate Income	55.4%	66.7%	77.8%	1.2	1.4
Middle Income	46.4%	100.0%	18.2%	2.2	0.4
Upper Income	41.5%	0.0%	36.4%	0.0	0.9

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income Latinos were more likely to receive a high-cost loan than low-income whites.

<sup>12</sup> The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

<sup>13</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$76,874 for the Springfield, IL metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$32,300; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$32,300 and \$51,680; middle-income borrowers have incomes 80-119% of median income, or between \$51,680 and \$76,874.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 6.5% of the high-cost refinance loans but only 5.0% of the prime refinance loans. Latinos received 1.3% of the high-cost loans originated but a smaller 0.6% of the prime loans originated. Whites received 77.9% of all prime loans originated. African-Americans represent 9.0% of the population in the metropolitan area while Latinos represent 1.0% of the population<sup>14</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	9.0%	5.0%	6.5%
Latino	1.0%	0.6%	1.3%
White	87.5%	77.9%	84.2%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 56.5%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 54.1%, or greater than one out of every two, refinances made to moderate-income homeowners and 43.3% or two out of five loans to middle-income homeowners. In contrast, only 38.8%, or less than two out of five, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	115	65	56.5%
Moderate-Income	218	118	54.1%
Middle-Income	238	103	43.3%
Upper-Income	242	94	38.8%

In comparative terms, low-income homeowners were 1.5 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.4 times more likely to receive a high-cost loan.

<sup>14</sup> 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



## High-cost Home Purchase Loans<sup>15</sup>

### For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. African-American homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

**High-cost loans made up a significant proportion of the home purchase loans made to minorities.** In 2006, 46.4%, or almost one out of two, home purchase loans received by African-Americans were high-cost loans and 27.8%, or more than one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 30.1%, or less than one out of three, home purchase loans received by whites were high-cost loans.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	84	39	46.4%	1.5
Latino	18	5	27.8%	0.9
White	850	256	30.1%	
ALL	1047	336	32.1%	

**African-American homebuyers were more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 1.5 times as likely to receive a high-cost home purchase loan as whites.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 28.6% of the home purchase loans received by upper-income African-Americans and 100.0% of the home purchase loans received by upper-income Latinos, compared to only 29.2% of the home purchase loans to upper-income whites.

In comparative terms, upper-income Latinos were 3.4 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>15</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

<b>High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	38.2%	33.3%	50.0%	0.9	1.3
Moderate Income	28.1%	16.7%	41.2%	0.6	1.5
Middle Income	27.5%	66.7%	35.3%	2.4	1.3
Upper Income	29.2%	100.0%	28.6%	3.4	1.0

Middle-income African-Americans were 1.3 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 2.4 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 1.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.3 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income Latino homebuyers were more likely to receive a high-cost loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans were issued 11.6% of all high-cost home purchase loans but only 6.3% of the prime home purchase loans. Latinos were issued 1.5% of all high-cost loans originated and 1.8% of the prime loans originated. In contrast, whites received 83.5% of the prime loans originated which is greater than their 76.2% share of the high-cost loans originated. African-Americans represent 9.0% of the population in the metropolitan area while Latinos represent 1.0% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	9.0%	6.3%	11.6%
Latino	1.0%	1.8%	1.5%
White	87.5%	83.5%	76.2%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 40.9% of the loans received by low-income homebuyers were high-cost loans, or two out of five loans. 31% of the loans received by moderate-income homebuyers, and 28.2% loans to middle-income homeowners were high-cost loans. In comparison, only 28.7% of loans made to upper-income homebuyers were high-cost loans.

<b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b>			
	High-cost Loans	All Loans	% High-cost
Low Income	85	208	40.9%
Moderate Income	87	280	31%
Middle Income	74	262	28.2%
Upper Income	78	272	28.7%

In comparative terms, low-income homebuyers were 1.4 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home.

### **Methodology**

The data for the Springfield, IL metropolitan area includes Menard, Sangamon counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or "rate spread" between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report ([www.acorn.org](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas and recommendations.